

MEMORANDUM

February 22, 2008

TO: County Council

FROM: Stephen B. Farber, Council Staff Director *SBF*

SUBJECT: Fiscal Update and Quarterly Analysis of Expenditures and Revenues

With the Executive's recommended operating budget for FY09 due in about three weeks, this update on the County's fiscal situation is timely. Chief Administrative Officer Tim Firestone, OMB Director Joseph Beach, and Finance Director Jennifer Barrett will discuss the slides on ©1-27 and the analysis of expenditures and revenues for the first half of FY08 on ©31-42.

FY09 Fiscal Challenge

In his November 21, 2007 memo on the Fiscal Plan Update, the Executive described a gap of \$401 million between expenditures and revenues projected for FY09, assuming historical agency expenditure growth and property tax at the Charter limit. See ©28-30. The slides on ©1-27 prepared by OMB and Finance outline the County's budget history over the last 10 years, the economic pressures we currently confront, and the steps taken over the last three months to reduce the projected gap. These steps include the FY08 savings plan, approved by the Council on January 22, which reduced agency expenditures in the current year by \$33.2 million.

The table on ©2 shows that the gap in FY10, under current fiscal assumptions, would be even larger. This suggests that in closing the gap for FY09, the Executive and Council should consider structural solutions rather than short-term expedients.

The graphs on ©3-6 show that over the last 5 and 10-year periods, County spending has grown considerably faster than inflation, population, and school enrollment, and that unusually strong growth in income tax and other revenues made this spending increase possible. Now that revenue growth has declined sharply, it is hard to fund the spending base and its projected growth. Total County tax collections in the first half of FY08, \$1.383 billion, were actually down 0.3 percent from the first half of FY07.

The graphs on ©8-23 show how economic growth, job growth, residential and non-residential construction, and the housing market have all come under increasing pressure over the last year. The summary on ©23 captures the cumulative impact of these pressures on County revenues. State and local governments nationwide are facing similar pressures. The graph on ©25 shows another key factor: the small increase in State aid projected for FY09 compared to previous years, \$10.9 million or 1.7 percent, resulting from the State's own fiscal problems.

The table on ©26 provides an update of estimated revenue from major taxes and investment income. **Compared to the estimate from November 2007 in the fall Spending Affordability process, projected revenue for FY08-09 combined is up \$15.4 million.** The estimate of income tax revenue, based on the most recent State data, is up \$70.1 million, while property tax revenue is up \$27.1 million. But revenue from transfer and recordation taxes is down \$36.6 million and \$24.3 million, respectively, because of the state of the housing market, while investment income is down \$20.9 million because of the recent aggressive interest rate cuts by the Federal Reserve.

The table on ©27 lists all the puts and takes of the last 3 months, including the FY08 savings plan, as efforts to close the projected FY09 budget gap have intensified. **While the \$401 million gap has been reduced by just over one-fourth, a large gap, now projected at \$296.5 million, remains.** Three weeks from now the Executive will recommend ways to close this remaining gap. Three months from now the Council will make final FY09 budget decisions.

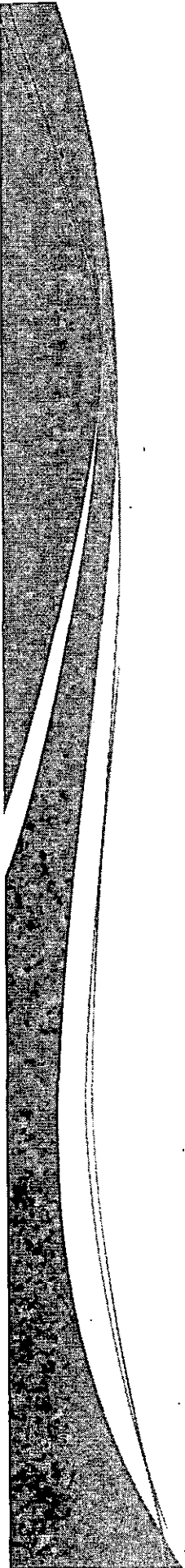
Second Quarterly Analysis of Expenditures and Revenues

The data in the memo from Mr. Beach and Ms. Barrett on ©31-42, covering the first half of FY08, provide further perspective on the fiscal framework for the year ahead.

As the memo notes on ©31, tax supported expenditures in FY08 for County Government are currently projected to be below appropriations by more than **\$15.5 million**. This is **\$2.6 million less** than the FY08 savings plan target for County Government approved by the Council on January 22. While some departments are projected to save more than expected, four units – the Board of Elections, the Sheriff's Office, Fire Rescue, and the State's Attorney's Office – are projected to spend more. See ©31. Whether all departments, especially those that face overtime issues, will be able to finish FY08 within budget remains to be seen.

As the memo notes on ©32, since the final cost for snow removal in FY08 is not yet available, OMB is maintaining in its planning assumptions the \$15 million set-aside for this and potentially other purposes. One such purpose may be remediation of underground storage tanks at DPWT's maintenance depots, based on State inspections, at a potential cost of \$1.4 million.

The data on County revenues on ©38-42 reflect the Finance Department's January 2008 report on economic indicators. While the regional and County economies have been among the nation's strongest over the past several years, they are not immune from the pressures that afflict the national economy. The credit crunch continues to spread, most recently to home equity lines of credit. Prices for oil, wheat, and other commodities continue to set records, and the sharp increases in energy and food costs are affecting discretionary consumer spending. The regional stock index, down 18 percent in 2007, confirms the prospect of slower growth here. As the December 2007 edition of the Howard County economic indicators notes, the housing-related part of the local economy shows weakness, and "caution is the operative word for the future."

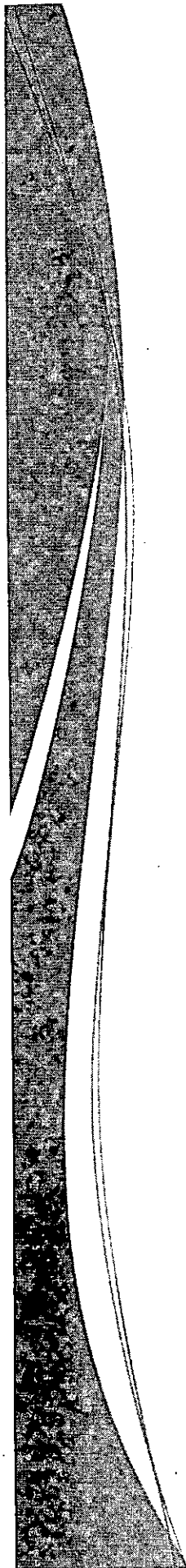


Fiscal Challenges

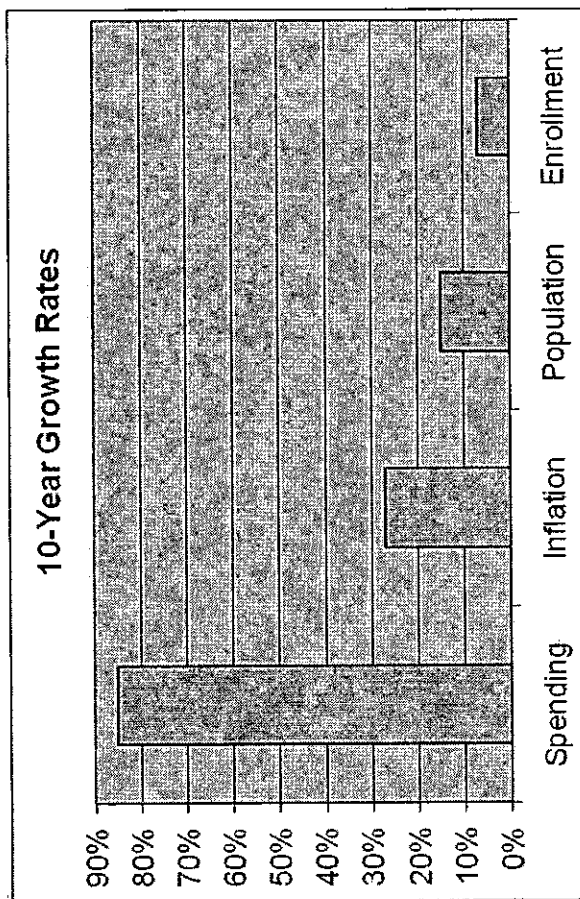
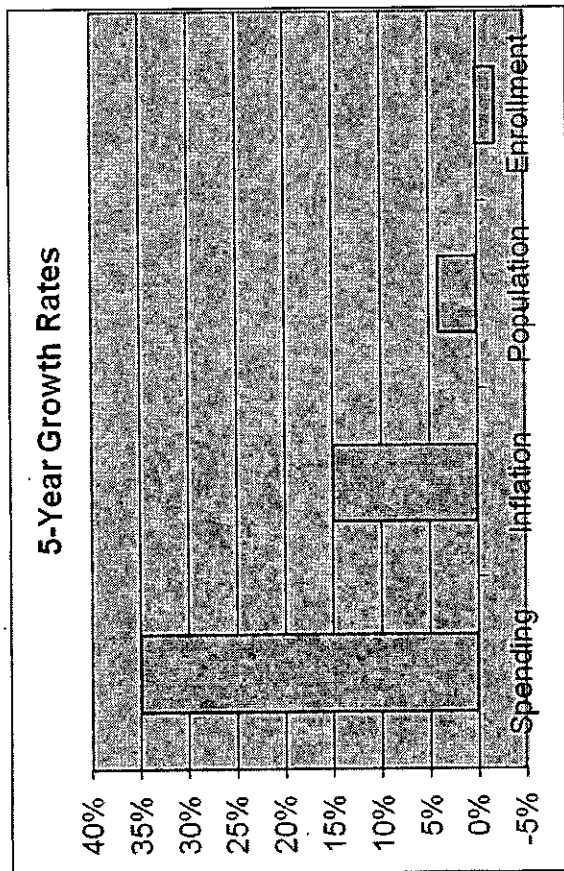
FY2009 and FY2010

The Problem – FYS 2009 & 2010

	FY08	FY09	%Chg	FY10	%Chg
Resources (\$ in mils)					
Revenue	3,559	3,686	3.6%	3,891	5.6%
Reserves	293	101	-65.5%	114	12.9%
Subtotal Available	3,851	3,787	-1.7%	4,005	5.8%
Uses					
Agency Spending	3,412	3,700	8.4%	4,007	8.3%
Other Uses (Capital Budget, Reserve)	439	488	11.2%	527	8.0%
Subtotal Uses	3,851	4,188	8.8%	4,534	8.3%
GAP (spending at 10 yr rate of growth)	0	(401)		(529)	
GAP (spending at same services and requests)	-	(359)		(458)	

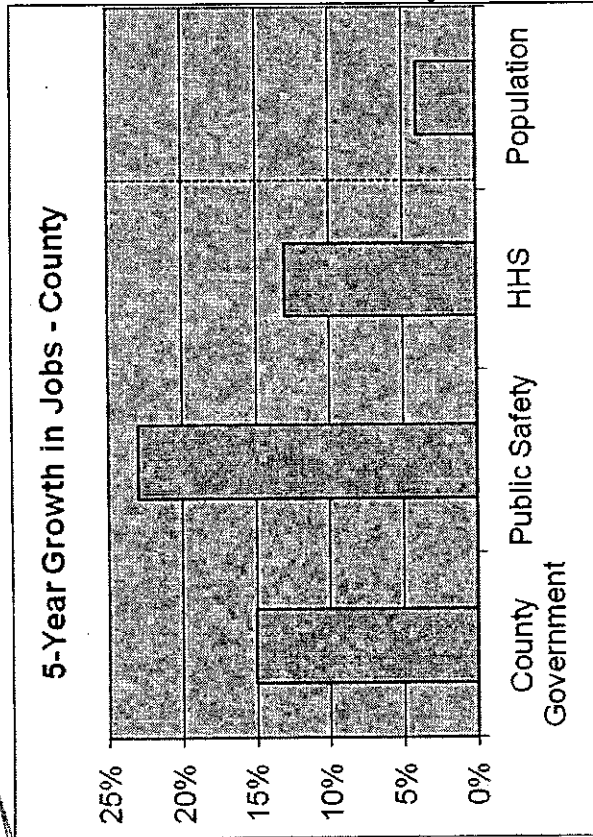


How Did We Get Here?

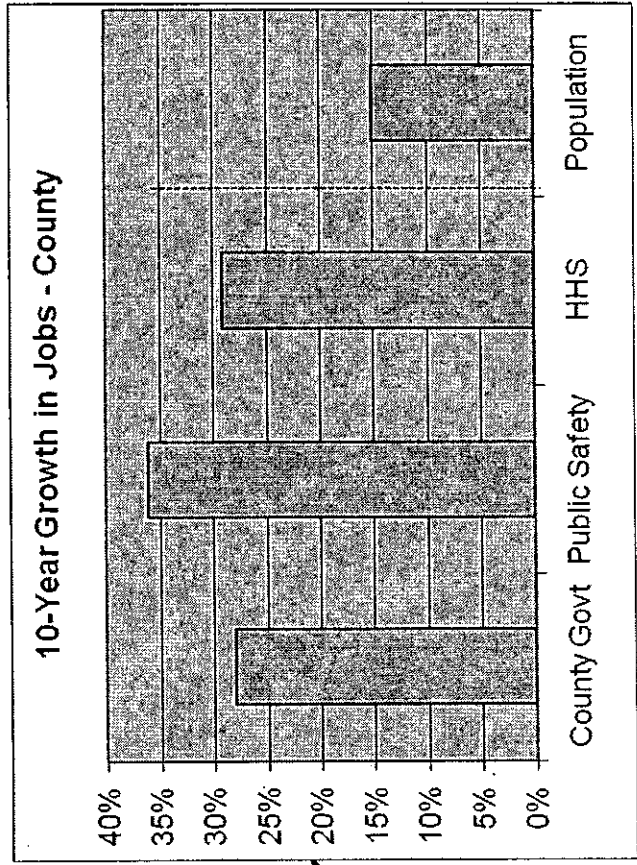


Spending has grown faster than inflation, population, and enrollment.

Jobs added in Public Safety and HHS are the cost drivers in County Government



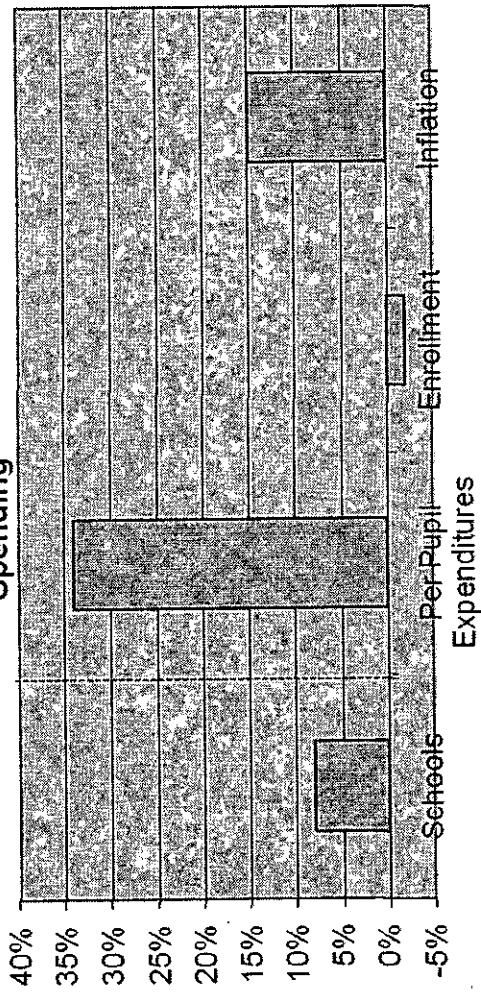
The County Government added 1,300 jobs over the last 5 years



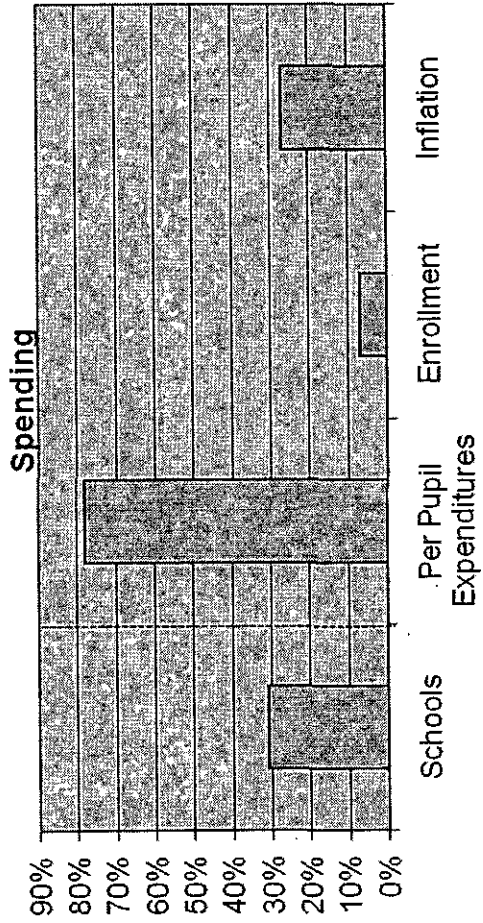
The County Government added 2,200 jobs over the last 10 years.

Montgomery County Public Schools

5-Year Growth in Jobs - Schools and Per Pupil Spending

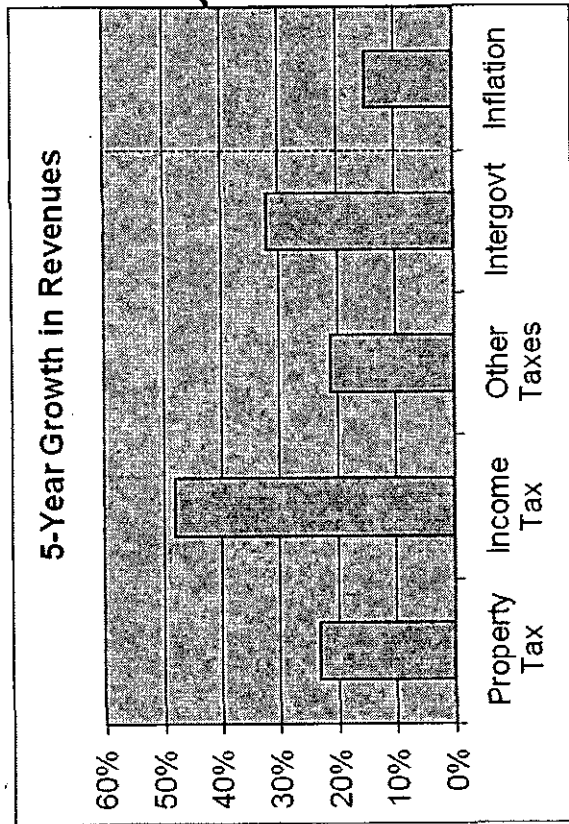


10-Year Growth in Jobs - Schools and Per Pupil Spending

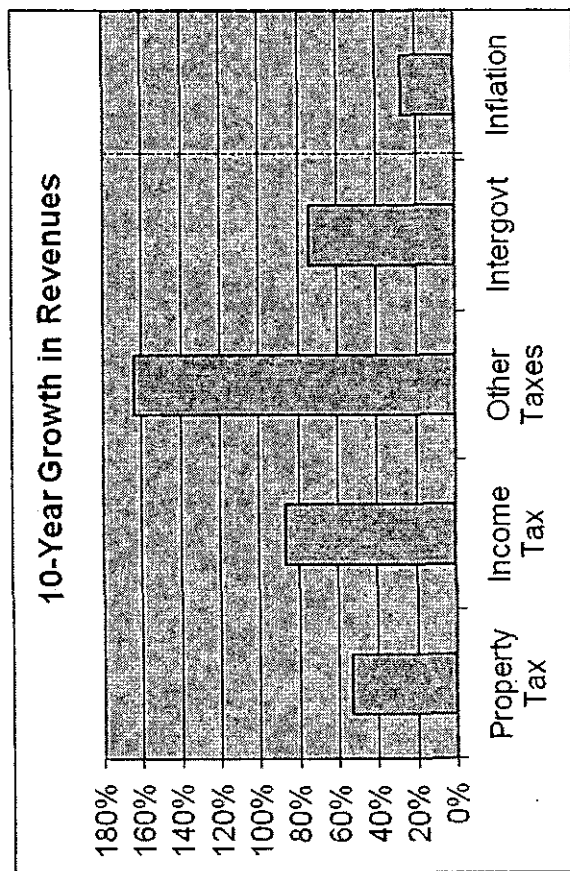


Over the last 10 years
Schools has added 5,000
jobs and per pupil
expenditures grew from
\$8,093 to \$14,370

How did we pay for it?



Over the past 5 years strong Income Tax receipts and State Aid for schools paid for the above inflation spending growth.



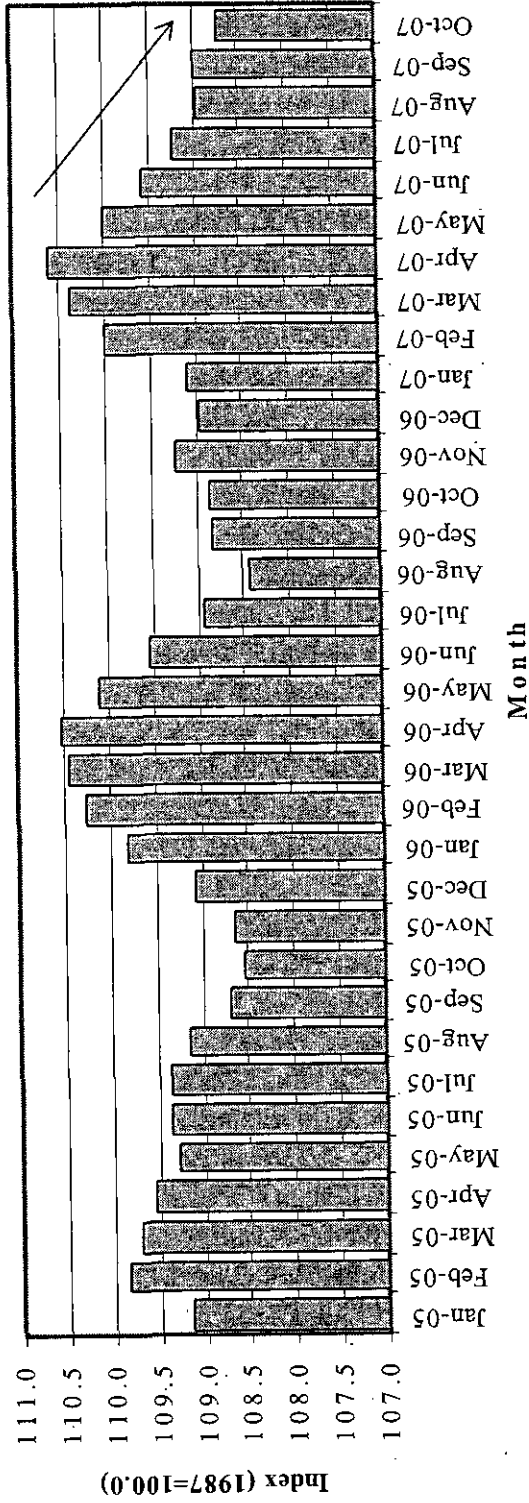
The 10 year picture shows that increases in other taxes (real estate transfer and recordation taxes and energy taxes) allowed for the spending growth in the earlier part of the period.

So Why the Problem Now?

Current County Economic Conditions

Leading economic indicator for the Washington region declined 2nd half of 2007, suggesting slower economic growth in 2008

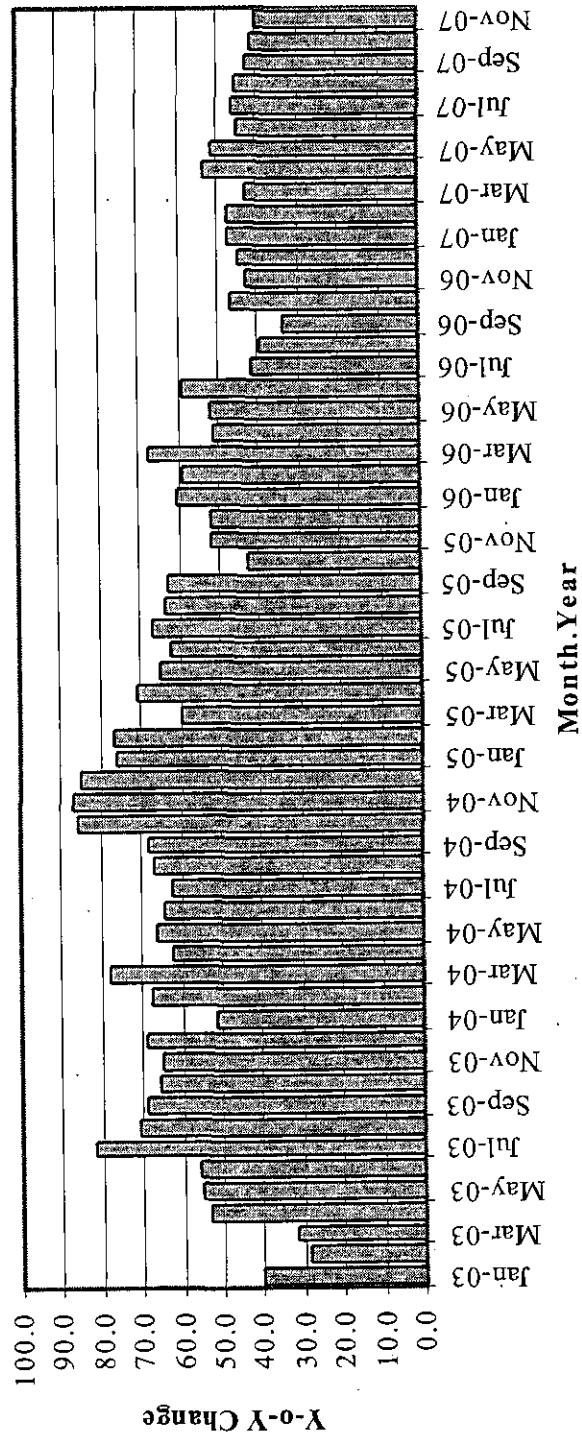
Three-Month Moving Average of the
Washington MSA Leading Economic Indicator



SOURCE: Center for Regional Analysis, George Mason University
NOTE: Leading indicator is designed to forecast economic performance six to eight months in advance.

**Washington region generated new jobs, but at a slower rate:
46,000 new jobs in 2007; compared to 62,500 in 2005 and
50,000 in 2006**

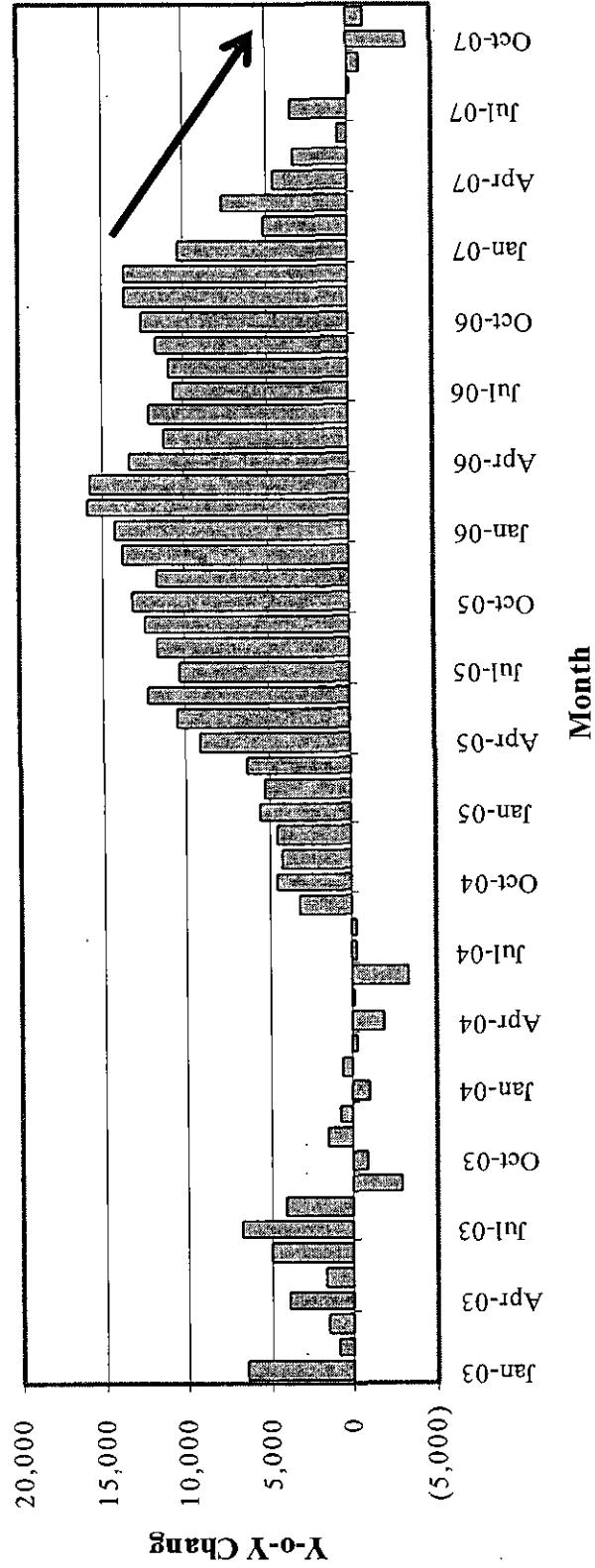
**Year-over-Year Change in Payroll Employment
Washington DC Metropolitan Area**



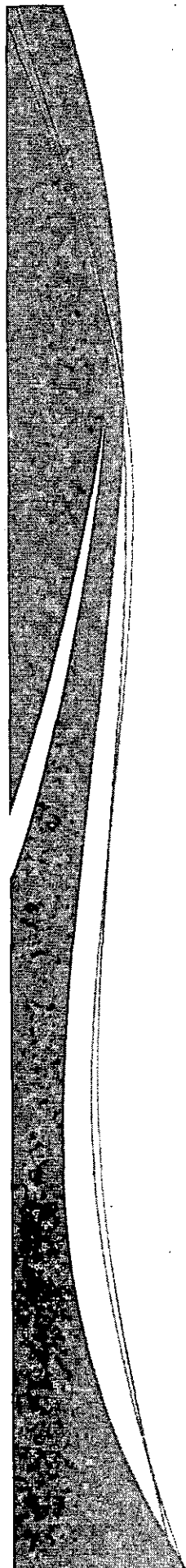
SOURCE: Bureau of Labor Statistics, U.S. Department of Labor

Although the number of jobs in Montgomery County increased by 6,200 in 2007, resident employment grew only 2,000 and actually declined by the end of the year

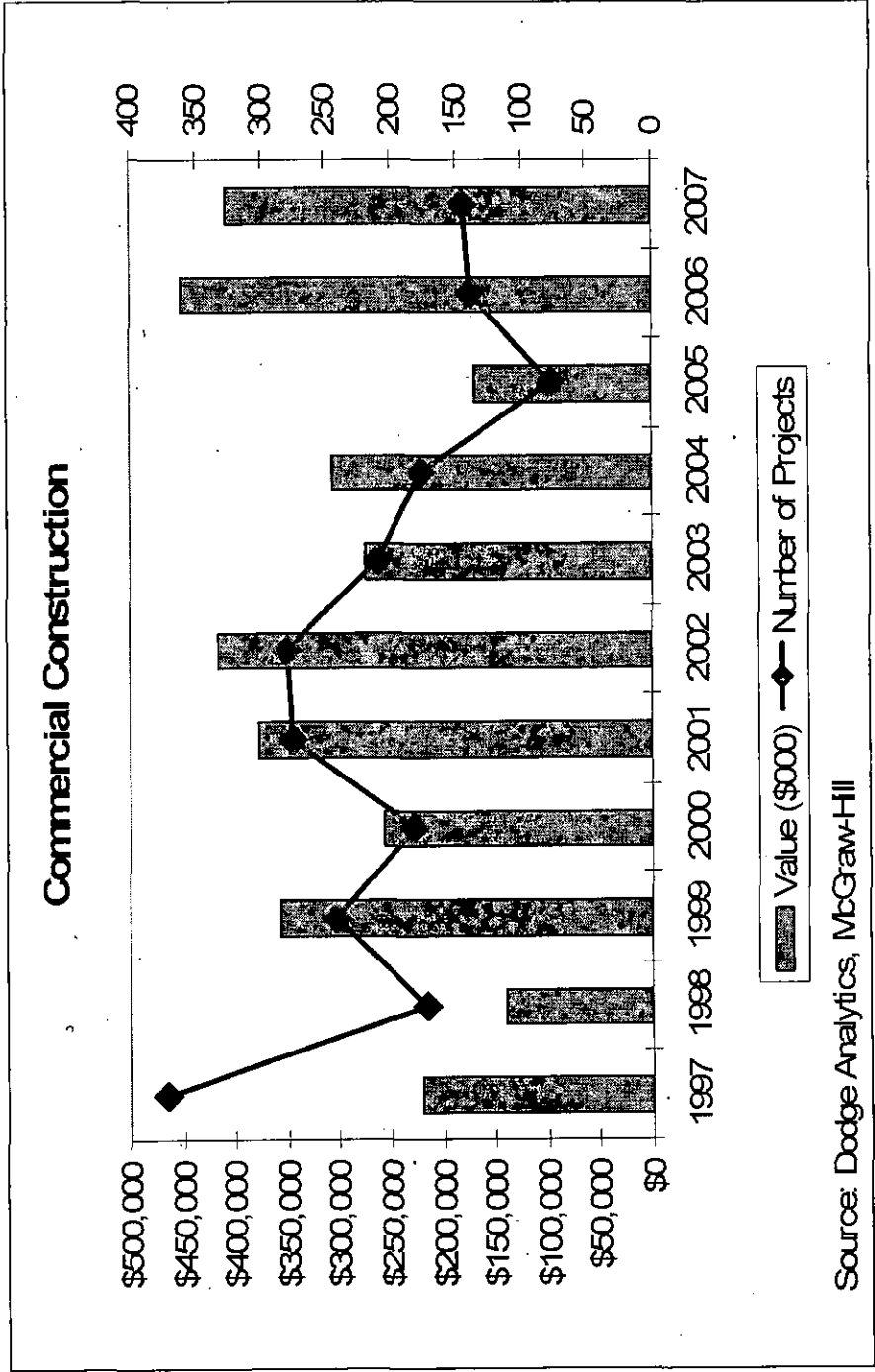
Year-over-Year Change in Labor Force Employment
Montgomery County



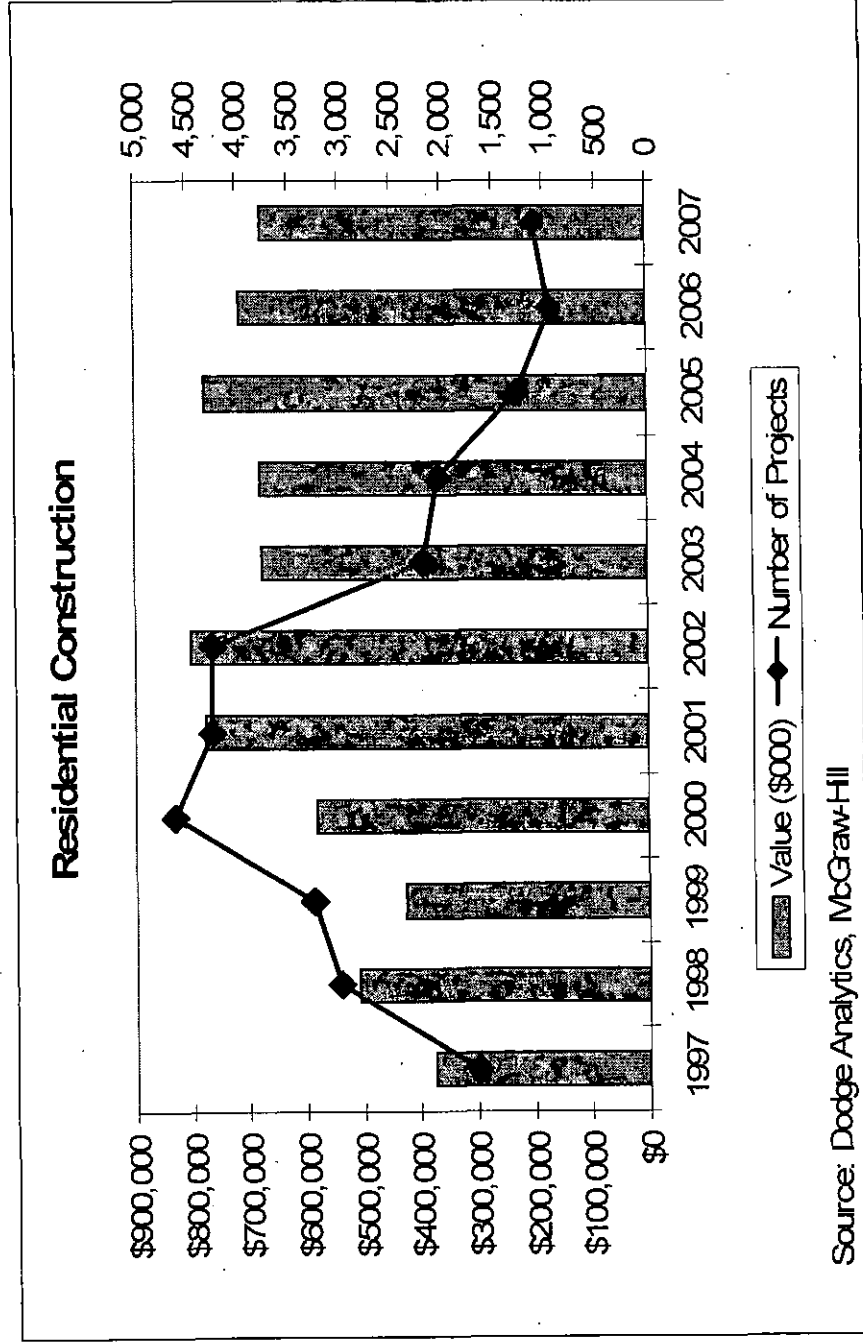
SOURCE: Maryland Department of Labor, Licensing and Regulation



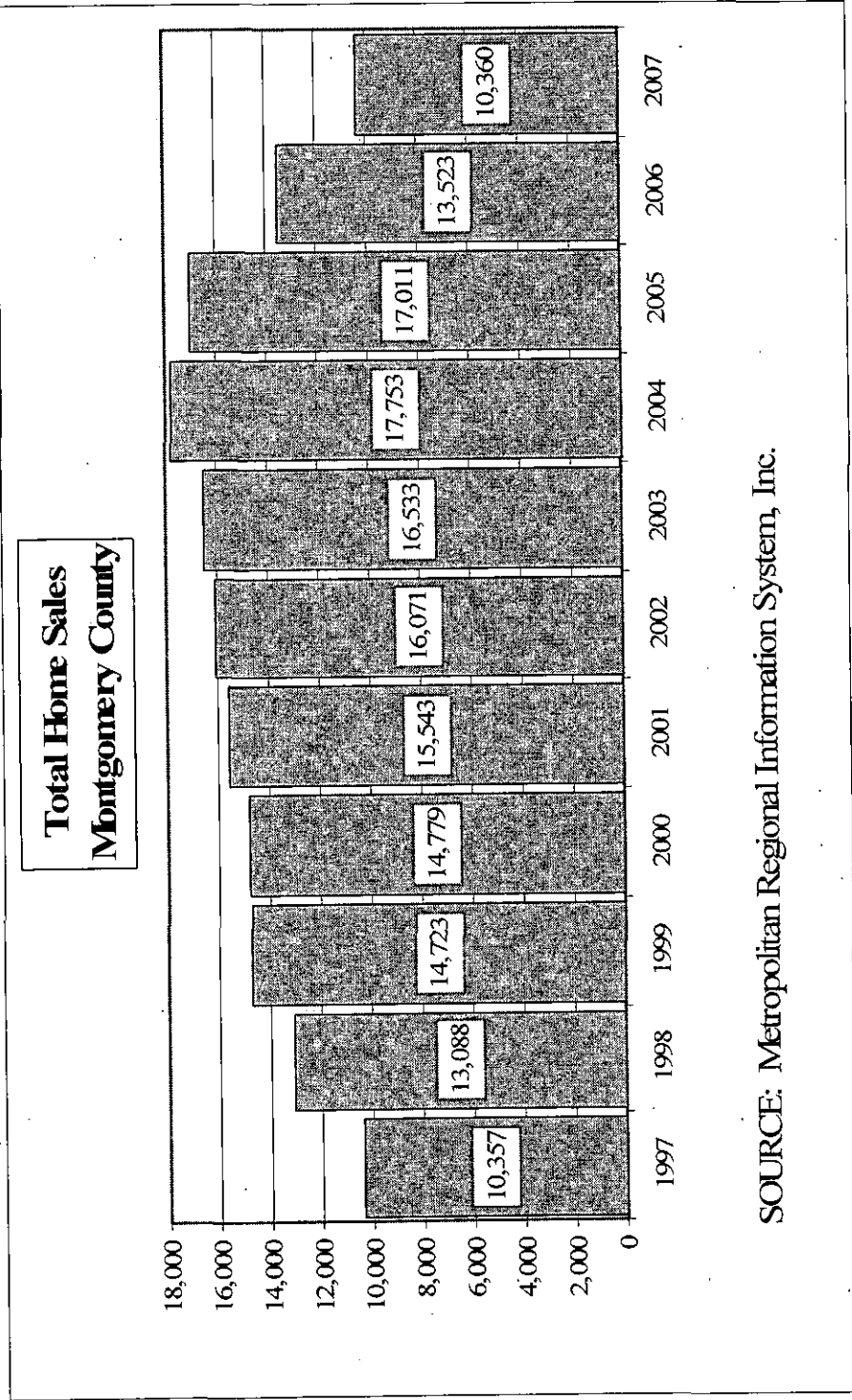
Although Commercial projects in the County declined over time, the value was close to a near-term high in 2007



Residential construction projects are about 1/5th of the level in 2000. Rising construction costs contributed to keeping total value high – but even that fell in the last two years

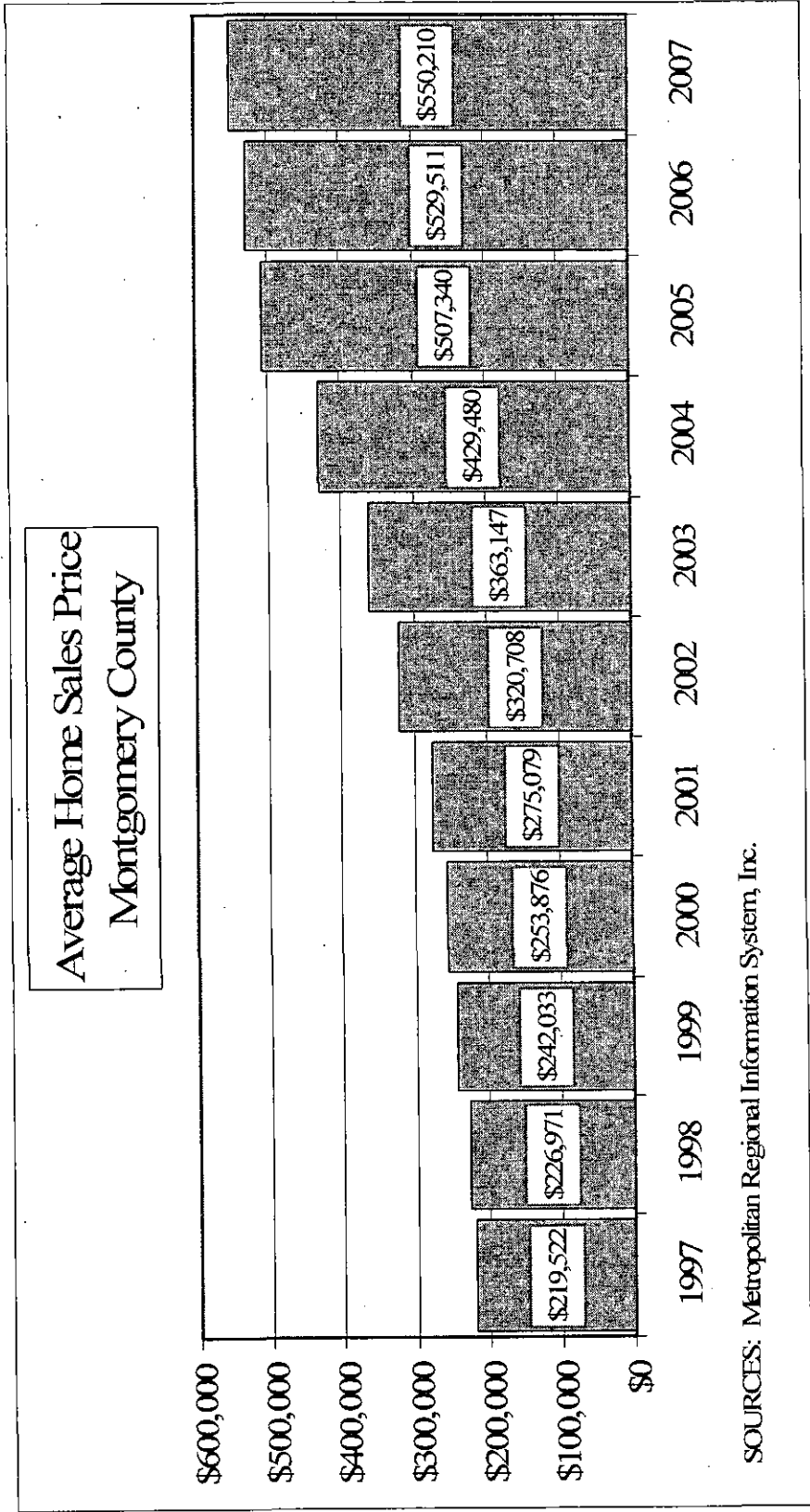


Existing home sales declined to the lowest level in 10 years



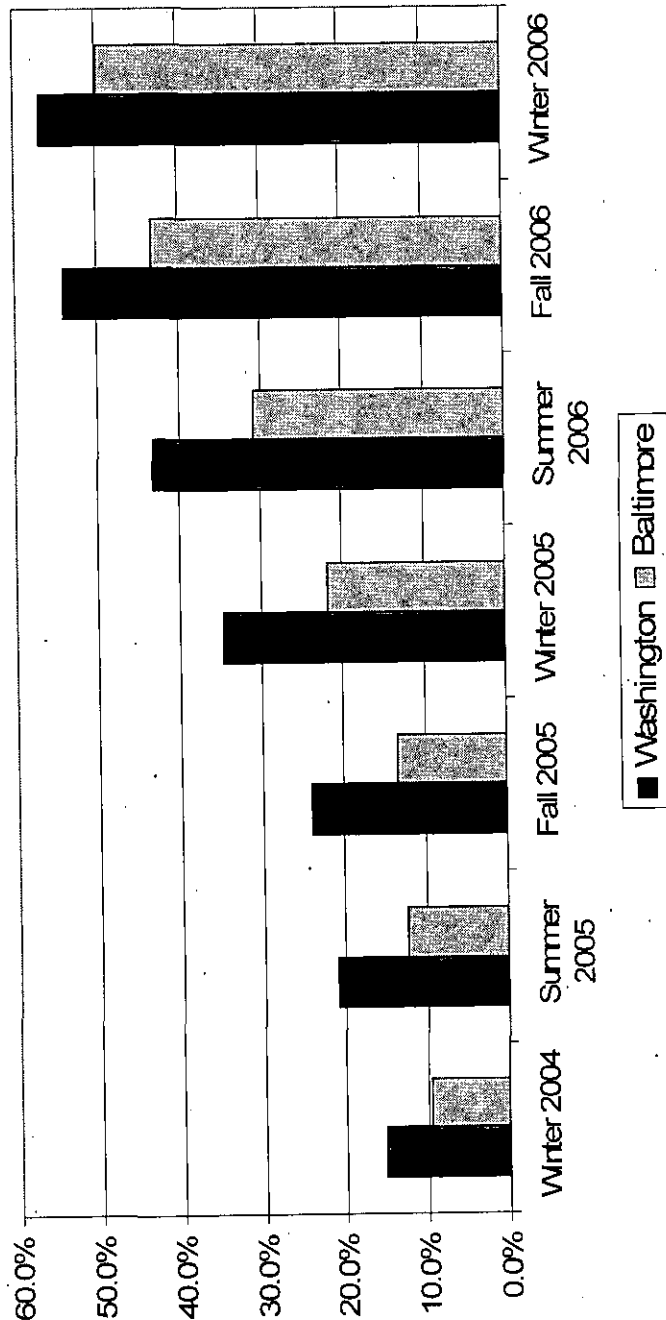


Despite weak home sales, the average sales price continued to increase (i.e., a shift to higher-priced homes)



For our region: probability of price decline
increased with each survey

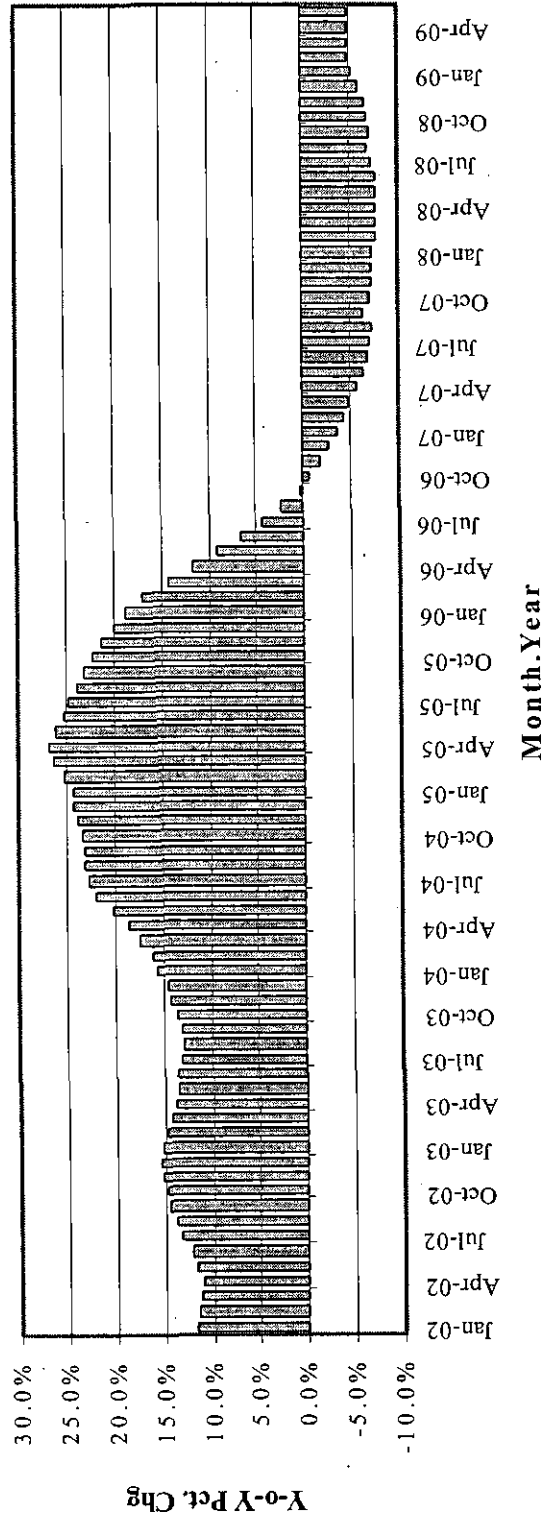
Probability Home Prices Will Decline
Over The Next Two Years



Source: PMI Mortgage Inc.

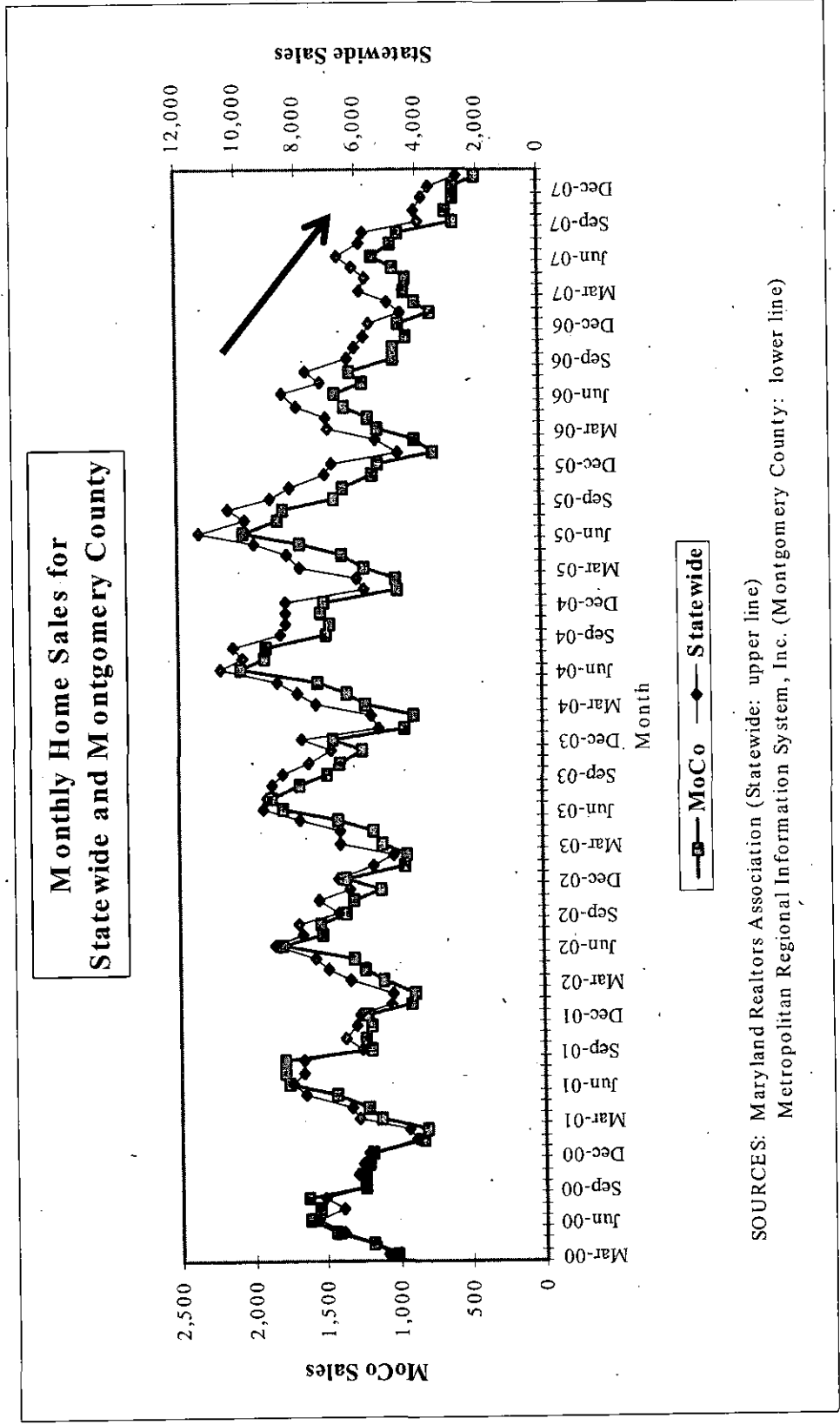
Prices did decline starting in 2006 (with no improvement until after 2008)

Year-over-Year Percent Change in
S&P/Case-Shiller® Home Price Index
Washington M SA



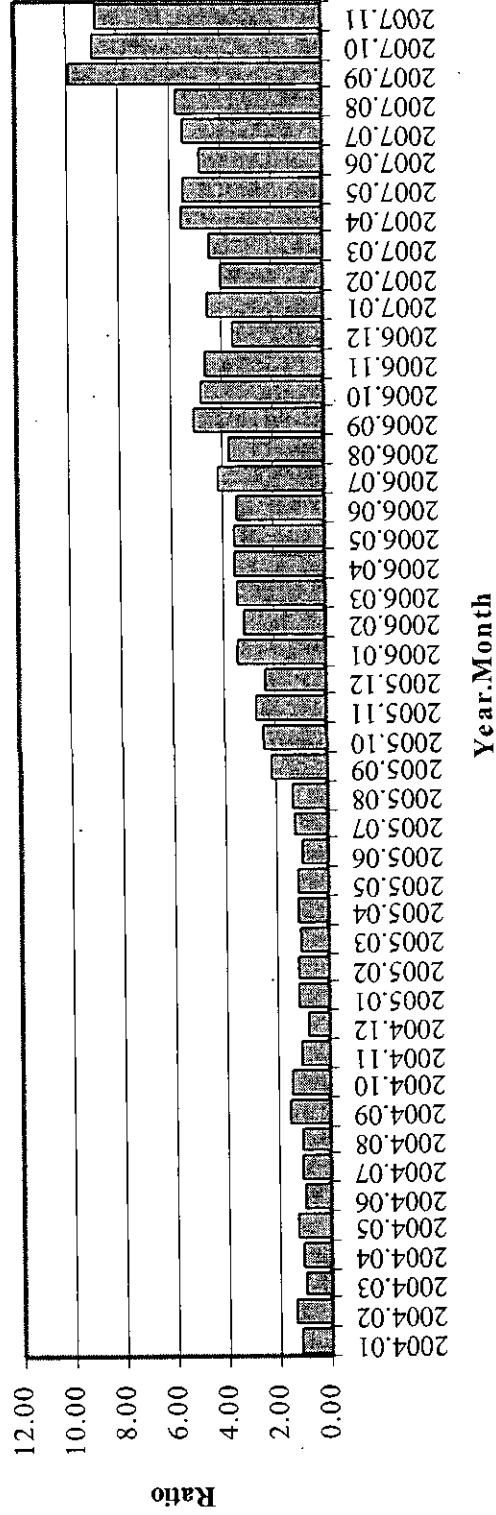
NOTE: S&P/Case-Shiller price index is a registered trademark of Standard and Poor's. Data from September 2007 to November 2008 extrapolated from Chicago Mercantile Exchange futures data.

Home sales statewide and for the County show a similar pattern

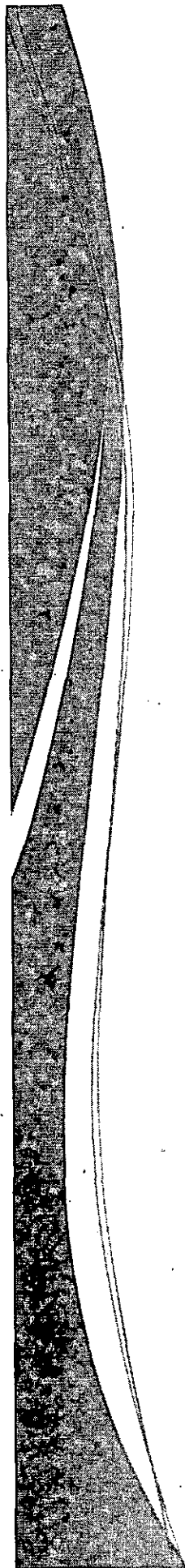


Fewer Home Sales → Inventory Jumped (i.e., 9 homes available for each one sold)

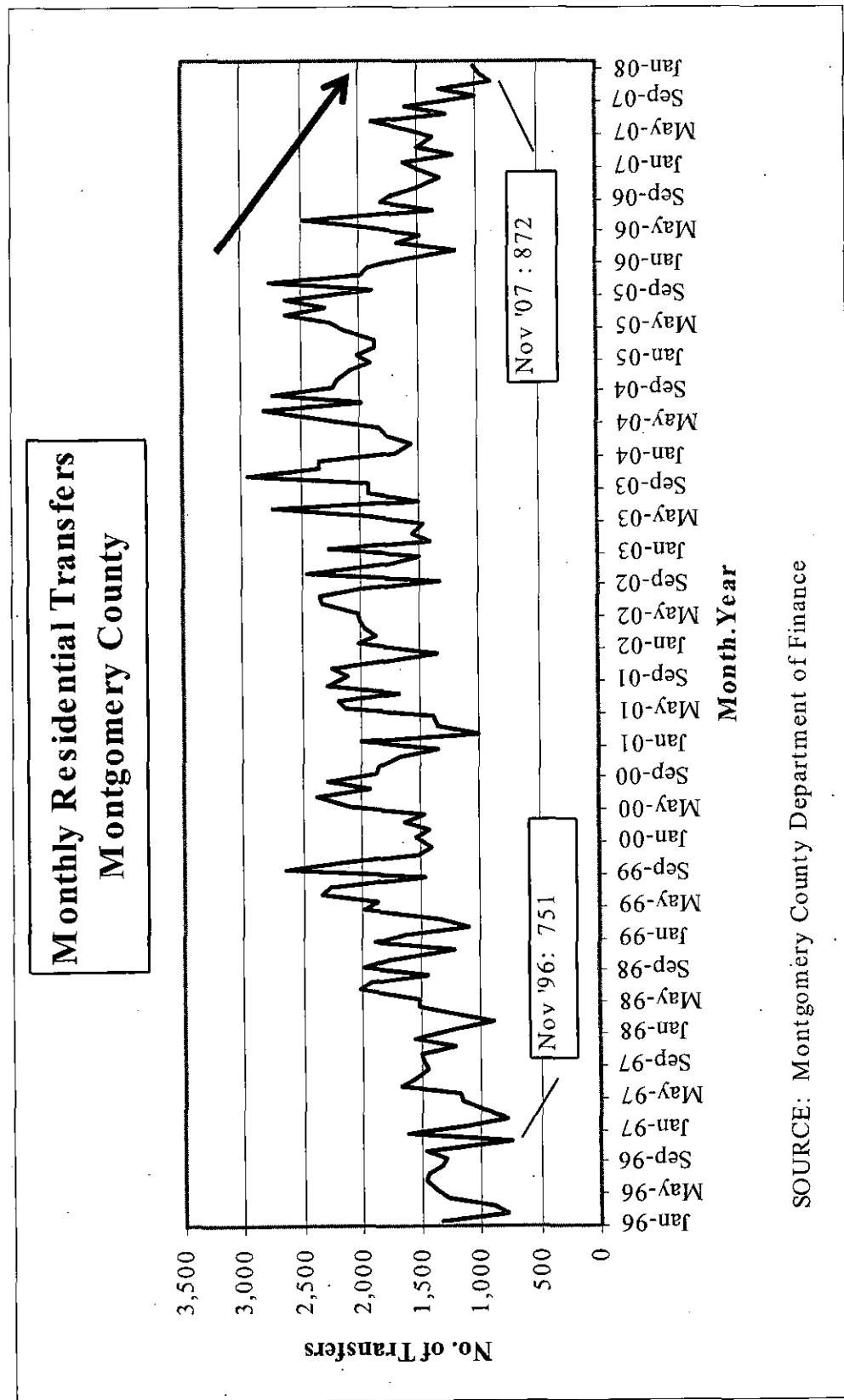
Inventory to Sales Ratio for Existing Homes
Montgomery County



SOURCES: Metropolitan Regional Information System Inc.
Greater Capital Area Association of Realtors
Montgomery County Department of Finance

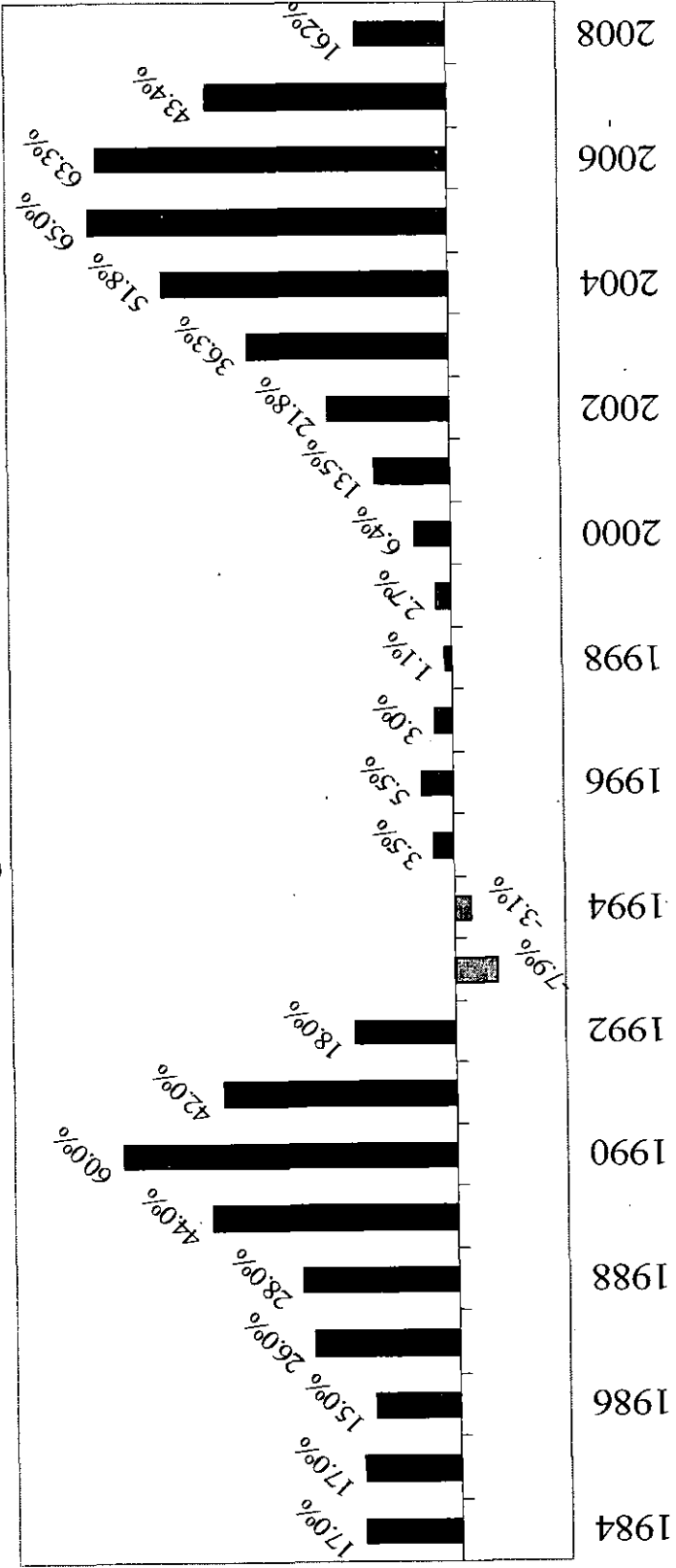


Fewer Home Sales → Fewer Residential Transfers



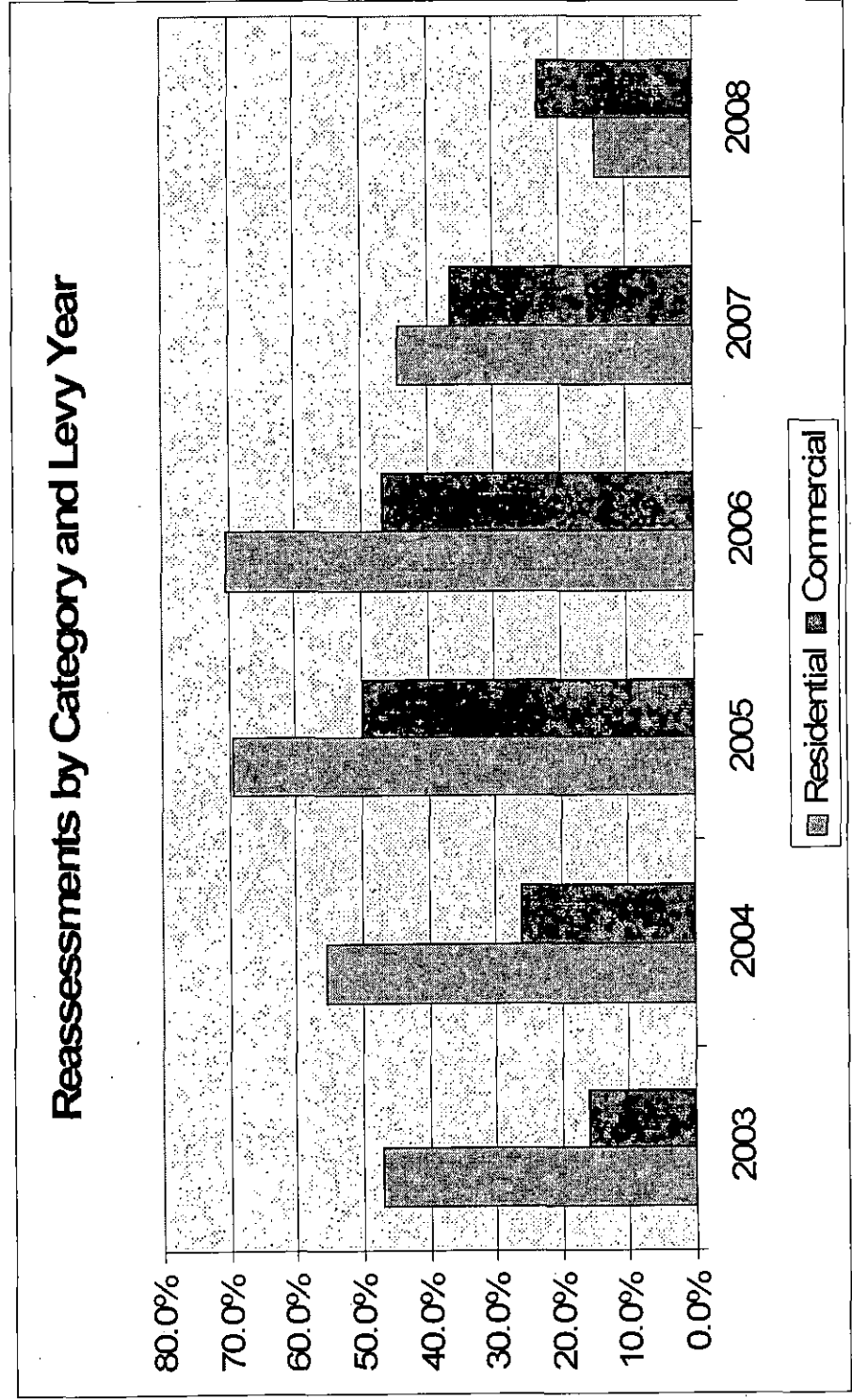
Peaks and Troughs in Assessment Cycles (Q. what will 2009 bring?)

Real Property Reassessments by Levy Year (Three-Year Phase-In)
Montgomery County



Source: State Department of Assessments and Taxation

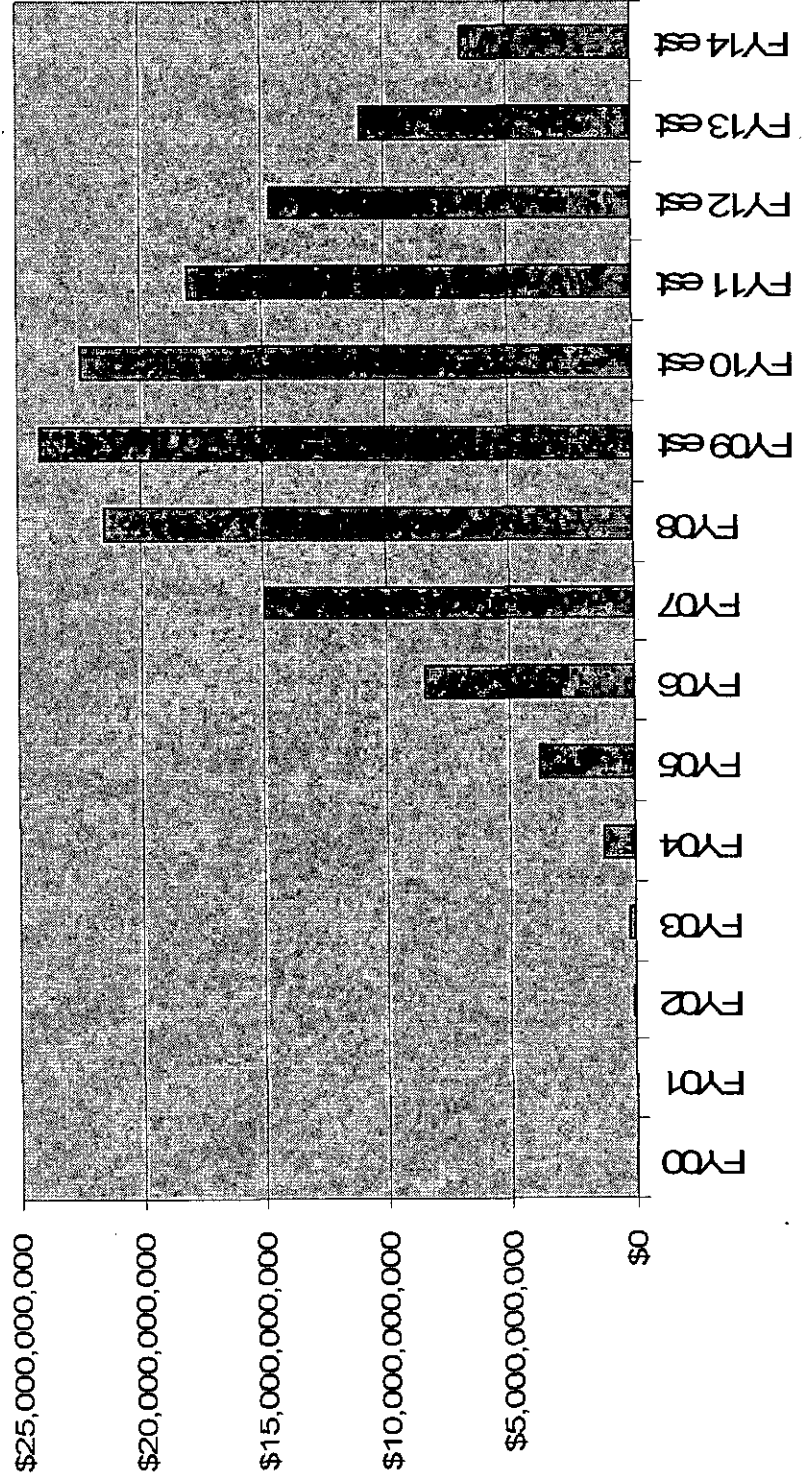
Reassessment Growth Down for BOTH Residential and Commercial Properties



County 10% Homestead Credit

from \$47 million to \$24 billion
(revenue loss = \$218 million in FY09)

County Homestead Credit

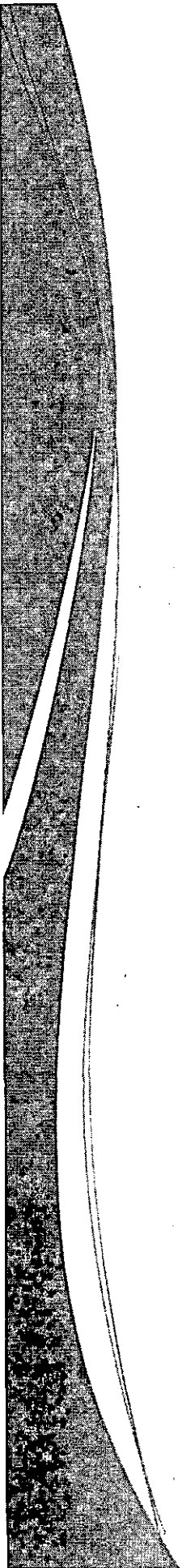




Summary

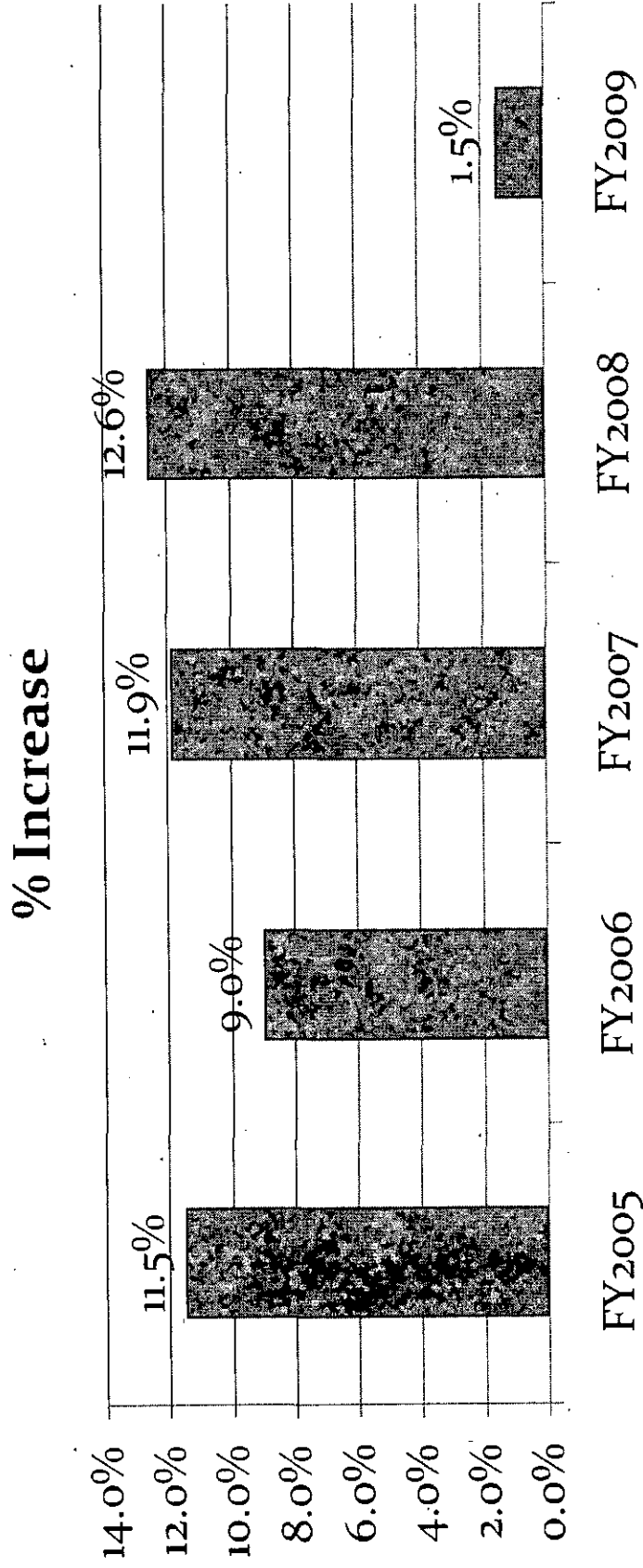
- Economic slow-down (national, regional, County)
- Weaker residential construction → property tax
- Weaker employment growth → income tax
- Weaker stockmarkets → income tax
- Weak home sales → transfer/recording taxes
- Declining home prices (not avg) → property taxes
- Interest rate cuts → investment income
- Real estate dilemma:
 - prices are coming down, but affordability remains a challenge;
 - interest rates near historic lows, but credit requirement higher;
 - surplus is high, but buyers remain on the side-line (further price declines?)

Slowing State Aid



Growth in State Aid Slows in Fiscal 2009

Governor's Recommended Budget - Statewide



Montgomery County state aid grows 1.7% or \$10.9 mil.

Revenue Estimate Update - Major Taxes and Investment Income

(\$ in mils)

Summary of Revenue Estimates: FY08				
	Approved FY08	SAG FY08	Latest FY08	Variance from Approved FY08
Income Tax	\$1,286.9	\$1,243.4	\$1,285.0	(\$1.9)
Property Tax (1)	\$1,207.5	\$1,208.0	\$1,209.5	\$2.0
Transfer (2)	\$128.8	\$98.5	\$80.2	(\$48.6)
Recordation (3)	\$72.5	\$63.3	\$51.6	(\$20.9)
Investment Income (4)	\$31.9	\$29.9	\$26.3	(\$5.6)
TOTAL	\$2,727.6	\$2,643.1	\$2,652.6	(\$74.9)
				Percent Variance
				-0.15%
				0.17%
				-37.71%
				-28.85%
				-17.41%
				-2.75%

Summary of Revenue Estimates: FY09				
	Approved FY09	SAG FY09	Latest FY09	Variance from Approved FY09
Income Tax	\$1,360.5	\$1,297.0	\$1,325.4	(\$35.1)
Property Tax (1)	\$1,477.1	\$1,480.9	\$1,506.5	\$29.4
Transfer (2)	\$128.8	\$99.2	\$80.9	(\$47.9)
Recordation (3)	\$76.8	\$68.1	\$55.5	(\$21.3)
Investment Income (4)	\$32.5	\$32.8	\$15.5	(\$17.0)
TOTAL	\$3,075.7	\$2,977.9	\$2,983.7	(\$91.9)
				Percent Variance
				-2.58%
				1.99%
				-37.20%
				-27.70%
				-52.40%
				-2.99%

Differences Between Latest Estimate and SAG FY09			
	FY08	FY09	Total
Income Tax	\$41.6	\$28.4	\$70.1
Property Tax (1)	\$1.5	\$25.6	\$27.1
Transfer (2)	(\$18.3)	(\$18.3)	(\$36.6)
Recordation (3)	(\$11.8)	(\$12.6)	(\$24.3)
Investment Income (4)	(\$3.6)	(\$17.3)	(\$20.9)
TOTAL	\$9.5	\$5.9	\$15.4

Notes:

- (1) Tax Supported Revenues (at current rates)
- (2) Excludes condominium conversion
- (3) Excludes School CIP and house price premium (>\$500,000)
- (4) Preliminary

Reconciliation of the Gap from November 19 to February 18, 2008

FY09

\$ (400.923)

Gap on November 19, 2007

Adjustments to-date to Close Gap

Resource Changes

Montgomery County Public Schools State Aid (0.465)
 Adjustment to Reserves (14.400)
 Count Designated Reserve as part of 6% Total Reserve 6.780
 Reduce CIP PAYGO from \$44 million to \$30 million 14.000
 Net Effect on Reserves of Resource Changes 0.524

Limit Supplemental Appropriations

6.172

Savings Plans

County Government expenditure reductions & 2nd Q Analysis 15.386
 County Government revenue increases (FY08 & FY09) 4.259
 Montgomery College 1.972
 MNCPPC 1.937
 Montgomery County Public Schools 10.200
 Net Effect on Reserves (2.025)

FY09 Agency Spending

County Government "Same Services" Budget -- 6.6% 22.281
 MCPS at Superintendent's Request -- 6.8% tax-supported portion 35.553
 Montgomery College at BOT Budget Presentation -- 9.3% (1.022)
 MNCPPC at Planning Board Request -- 21.5% (14.540)

Other Uses

Replace CIP Current Revenue in FY08 and FY09 for SS Music Venue 3.739
 Add debt service (0.400)

Revised Revenue Estimates

Less: Impact of new revenue estimates on reserves 15.359
 (0.922)

Gap on February 18, 2008

\$ (296.534)




OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

November 21, 2007

TO: Marilyn J. Praisner, Council President
FROM: Isiah Leggett, County Executive 
SUBJECT: FY09 Fiscal Outlook

2007 NOV 21 PM 12:25

RECEIVED
MONTGOMERY COUNTY
COUNCIL

In preparation for the Council's consideration of the FY09 Spending Affordability Guidelines (SAG), I am transmitting the attached FY09-14 Fiscal Plan Update and related information on resources, uses, and expenditures from FYs07-09. As the enclosed materials indicate, continued weakness in the housing market and a slow-down in the growth of employment have caused a substantial decline in projected revenues in FY08 and FY09. While the beginning FY08 fund balance was substantially above estimates because of higher than projected income tax revenues and lower than anticipated spending, FY08 and FY09 revenues are now forecasted to be substantially lower than previous estimates by approximately \$174.8 million. This projected shortfall relates to projected declines in income tax, recordation tax, and transfer tax revenues.

The November distribution of income tax revenues from the State was \$77 million less than expected. This has forced us to reevaluate our original income tax estimates and revise them significantly for FY08 and FY09 for a total reduction of \$107 million. In addition, the slow-down in the County's real estate market has reduced projected transfer and recordation taxes receipts to nearly \$71 million less than anticipated for both FY08 and FY09. This sobering news, when coupled with projected spending increases in FY09 in each of the four tax supported agencies, creates a projected gap between projected resources and spending in FY09 of over \$400 million. By way of comparison, last year at this time the projected gap was approximately \$200 million, half the amount of the currently projected gap.

While there is much work to be done between now and March 17 when I transmit my recommended operating budget, I believe it is prudent to begin to take actions now to restrain spending to align with our projected resources. For this reason, I am directing all County Government departments to identify savings in their operating budgets of two percent of the original appropriation. I will also recommend that each of the other three tax supported agencies implement a similar mid-year approach to restrain spending. If successful, this should produce net savings of approximately \$23.7 million for the County Government and total savings of

(28)

\$64.1 million across all of the agencies. To provide agencies and departments with the maximum amount of flexibility to realize these savings and still accomplish their respective missions, I am not asking departments and agencies for detailed savings plans as in the past. The creation and review of these plans was a time consuming task that often created more anxiety in the community than was necessary and forced exemptions and exceptions that frequently frustrated the goal of the plans.

The gravity of the situation causes me to consider all available options at this time, including reductions in expenditures as well as potential revenue enhancements. I am reluctant to consider these options now due to recent actions by the State to increase the tax burden on Montgomery County residents and businesses. However, given the potential reduction to essential County services, including healthcare, education, public safety, and other critical services, it is necessary to keep all of our options in play before reaching final conclusions on how to resolve this very serious budgetary shortfall. Unfortunately, the numbers suggest that even with revenue enhancements and mid-year spending reductions, it will be necessary to make reductions in existing service levels. This will be difficult for all of us as we remain committed to protecting the vulnerable, providing first rate public safety services, and improving the quality of life in Montgomery County. We must work towards a solution that maintains a tolerable tax burden for our residents, retain most existing services at current levels, and complies with standards of sound and responsible fiscal management.

Thank you for your attention to this urgent matter, and I look forward to working with the County Council in its review of the spending affordability guidelines and in the actions necessary to address the County's current difficult fiscal situation.

IL:jfb

Attachment

cc: Nancy Navarro, President, Board of Education
Timothy L. Firestine, Chief Administrative Officer
Royce Hanson, Chairman, Montgomery County Planning Board
Dr. Jerry C. Weast, Superintendent, Montgomery County Public Schools
Dr. Brian K. Johnson, President Montgomery College
Joseph F. Beach, Director, Office of Management and Budget

FIT + 10 Year Rate of Growth + GASB 45

County Executive's Recommended FY09-14 Public Services Program Tax Supported Fiscal Plan Summary

(\$ in Millions)				
	App FY08 5-24-07	Est. FY08 11-19-07	% Chg. FY08-09 Rec/Bud	Rec. FY09
Total Resources				
Revenues	3,625.1	3,547.4	1.3%	3,673.7
Beginning Reserves Undesignated	175.8	271.4	-46.2%	94.6
Beginning Reserves Designated	20.7	21.1	-70.3%	6.1
Net Transfers In (Out)	11.5	11.5	2.8%	11.8
Total Resources Available	3,833.1	3,851.4	-1.2%	3,786.3
Less Other Uses of Resources (Capital, Debt Service, Reserve)	424.5	438.7	14.9%	487.8
Available to Allocate to Agencies	3,408.6	3,412.7	-3.2%	3,298.6
Agency Uses				
Montgomery County Public Schools (MCPS)	1,852.2	1,852.2	8.7%	2,013.3
Montgomery College (MC)	197.4	197.4	8.8%	214.8
MNCPPC (w/o Debt Service)	98.4	98.8	6.8%	105.1
MCG	1,260.6	1,264.3	8.4%	1,366.4
Subtotal Agency Uses	3,408.6	3,412.7	8.5%	3,699.5
Subtotal Other Uses of Resources (Capital, Debt Service, Reserve)	424.5	438.7	14.9%	487.8
Total Uses	3,833.1	3,851.4	9.2%	4,187.3
(Gap)/Available	0.0	0.0		(400.9)

Notes:

1. FY08 Estimate reflects preliminary unaudited beginning fund balance.
2. Agency Uses are at the 10-yr average historical rate of growth plus phase-in GASB 45 incremental cost (year two).
3. Property tax revenues are assumed at Charter Limit.



OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

February 15, 2008

TO: Michael J. Knapp, President, Montgomery County Council

FROM: Joseph F. Beach, Director, Office of Management and Budget
Jennifer E. Barrett, Director, Department of Finance

SUBJECT: FY08 Second Quarterly Analysis

2008 FEB 15 PM 3:05

RECEIVED
MONTGOMERY COUNTY
COUNCIL

Attached please find the Second Quarterly Analysis for Montgomery County Government. Except for the departments noted below, expenditures are projected to be within budget or in surplus for tax supported departments and funds in FY08. While we are projecting overall tax supported expenditures to be below appropriations by more than \$15.5 million, this is below the expected tax supported savings plan expenditure goal of \$18.1 million. This is a major concern as we prepare the FY09 operating budget, and one that we will continue to monitor leading up to the release of the Executive's recommended budget.

Board of Elections

The Board of Elections incurred unbudgeted costs associated with acceleration of the presidential primary election including the hiring of additional staff to train 3,200 election judges during an abbreviated period of time. In addition, the year-end projection includes estimated costs associated with conducting two District 4 special elections, and an additional billing from the State related to the electronic voting system.

Public Safety

The Sheriff's Office projected an overage due to several factors, including overtime expenditures, labor law consultants to assist staff and represent the Sheriff in collective bargaining, security guard contract costs, and software licenses.

Fire Rescue is projected to overspend its appropriation due to higher than budgeted overtime and occupational medical services expenditures.

The State's Attorney Office is projected to overspend its budget due to unbudgeted leave payouts, merit awards, and other personnel cost increases.

Office of the Director

Snow Removal

During the Council's deliberations on the operating budget Spending Affordability Guidelines last fall, we indicated that we had reserved \$15 million in FY08 to cover costs associated with snow and ice removal and other storm-related clean-up. To date, prior to a final reconciliation of all outstanding bills and this week's ice storm, these costs have been approximately \$2 million over budget. Because these costs are significant and unpredictable, we are maintaining the \$15 million set-aside in our planning assumptions. In addition, the Department of Public Works and Transportation has notified OMB of a total potential cost of \$1.4 million to remediate its underground storage tanks located at its maintenance depots based on inspections by the State of Maryland. Remediation options and potential costs are still under review so they have not been included in the second quarter analysis, but we anticipate that the snow removal set aside would be used to fund these costs once they are known.

Revenues

Attached is an update on tax revenue collections through the end of the second quarter. At this point we do not have revised projections of FY08 revenues.

JB:aae

cc: Isiah Leggett, County Executive
Timothy L. Firestine, Chief Administrative Officer
Kathleen Boucher, Assistant Chief Administrative Officer
All County Government Department Heads and Merit Directors

Attachments:

Second Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 12/31/08

FY08 2ND QUARTERLY ANALYSIS

Department	Original	Latest *	Estimate	Variance	% Change
	Budget (A)	Budget (B)	(2ndQA) (C)	to Budget (B-C)	to Budget (B-C)/(B)
Tax Supported					
General Fund					
Board of Appeals	587,010	590,250	578,510	11,740	2.0%
Board of Elections	5,771,010	5,779,030	7,054,590	(1,275,560)	-22.1%
Circuit Court	10,288,300	10,288,300	10,075,350	212,950	2.1%
Commission for Women	1,285,680	1,297,200	1,230,260	66,940	5.2%
Consumer Protection	2,712,720	2,724,010	2,644,460	79,550	2.9%
Correction and Rehabilitation	63,301,520	63,399,800	62,816,700	583,100	0.9%
County Attorney	5,419,260	5,444,830	5,265,170	179,660	3.3%
County Council	8,895,420	8,937,330	8,616,980	320,350	3.6%
County Executive	5,012,790	5,024,600	4,863,040	161,560	3.2%
Economic Development	8,273,360	8,293,210	8,127,740	165,470	2.0%
Environmental Protection	4,765,030	4,782,450	4,551,100	231,350	4.8%
Ethics Commission	236,410	236,410	231,680	4,730	2.0%
Finance	11,456,170	11,519,550	11,290,430	229,120	2.0%
Health and Human Services	224,829,230	226,838,500	222,462,270	4,376,230	1.9%
Homeland Security	6,010,580	6,015,120	5,665,650	349,470	5.8%
Housing and Community Affairs	5,707,640	5,980,140	5,768,370	211,770	3.5%
Human Resources	9,263,910	9,301,210	9,115,930	185,280	2.0%
Human Rights	2,480,170	2,497,300	2,446,790	50,510	2.0%
Inspector General	667,480	673,990	632,320	41,670	6.2%
Intergovernmental Relations	853,880	853,880	836,800	17,080	2.0%
Legislative Oversight	1,289,590	1,303,050	1,255,340	47,710	3.7%
Management and Budget	3,967,890	3,991,530	3,812,170	179,360	4.5%
Merit System Protection Board	147,890	147,890	143,990	3,900	2.6%
Non-Departmental Accounts	113,508,010	112,321,750	109,794,170	2,527,580	2.3%
People's Counsel	239,130	239,130	235,950	3,180	1.3%
Police	219,185,250	219,192,915	217,196,705	1,996,210	0.9%
Procurement	3,077,500	3,090,500	2,790,720	299,780	9.7%
Public Information	1,360,020	1,364,800	1,337,600	27,200	2.0%
Public Libraries					
Administration, Outreach, and Support	3,374,810	3,395,290	3,379,600	15,690	0.5%
Library Services to the Public	28,188,870	28,266,150	27,304,180	961,970	3.4%
Collection Management	8,753,380	8,757,560	8,641,120	116,440	1.3%
Public Works and Transportation	70,096,190	70,412,760	69,035,840	1,376,920	2.0%
Regional Services Centers	4,250,130	4,291,400	4,087,690	203,710	4.7%
Sheriff	19,054,970	19,066,570	19,505,300	(438,730)	-2.3%
State's Attorney	11,818,470	11,818,470	11,911,140	(92,670)	-0.8%
Technology Services	32,618,060	32,703,740	32,051,380	652,360	2.0%
Utilities	24,410,750	24,410,750	24,410,750	-	0.0%
Zoning and Administrative Hearings	520,580	520,580	509,860	10,720	2.1%
General Fund Total	923,679,060	925,771,945	911,677,645	14,094,300	1.5%

FY08 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest * Budget (B)	Estimate (2ndQA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Special Funds					
<u>Bethesda Urban District</u>					
Urban Districts	2,584,700	2,584,700	2,566,520	18,180	0.7%
<u>Silver Spring Urban District</u>					
Urban Districts	2,803,140	2,803,140	2,747,060	56,080	2.0%
<u>Wheaton Urban District</u>					
Urban Districts	1,576,800	1,576,800	1,545,260	31,540	2.0%
<u>Mass Transit</u>					
Transit Services	109,277,580	109,069,440	108,292,480	776,960	0.7%
<u>Fire</u>					
Fire and Rescue Service	188,813,850	192,130,541	193,529,710	(1,399,169)	-0.7%
<u>Recreation</u>					
Recreation	31,054,970	31,122,090	30,500,190	621,900	2.0%
<u>Economic Development Fund</u>					
Economic Development Fund	802,440	3,878,660	3,878,660	-	0.0%
Special Funds Total	336,913,480	343,165,371	343,059,880	105,491	0.0%
TAX SUPPORTED TOTAL	1,260,592,540	1,268,937,316	1,254,737,525	14,199,791	1.1%

Non-Tax Supported

Special Funds

Grant Fund MCG

Circuit Court	2,275,720	2,392,630	2,392,630	-	0.0%
County Executive	238,940	238,940	238,940	-	0.0%
Economic Development	2,700,000	2,700,000	2,700,000	-	0.0%
Fire and Rescue Service	513,700	1,434,440	1,434,440	-	0.0%
Health and Human Services	37,872,370	39,453,970	39,453,970	-	0.0%
Homeland Security		600	600	-	0.0%
Housing and Community Affairs	8,190,130	8,650,740	8,650,740	-	0.0%
Intergovernmental Relations	48,000	48,000	48,000	-	0.0%
Liquor Control	-	27,500	27,500	-	0.0%
Non-Departmental Accounts	10,393,220	(1,765,080)	(1,765,080)	-	0.0%
Police	230,300	6,689,420	6,689,420	-	0.0%
Public Libraries	149,600	146,010	146,010	-	0.0%
Recreation		51,100	51,100	-	0.0%
Regional Services Center	175,000	175,000	175,000	-	0.0%
Sheriff	682,330	682,330	682,330	-	0.0%
State's Attorney	83,170	168,520	168,520	-	0.0%
Transit Services	8,404,820	11,008,260	11,008,260	-	0.0%
Grant Fund MCG subtotal	71,957,300	72,102,380	72,102,380	-	0.0%

Cable Television

Cable Television	10,388,200	10,400,070	10,709,280	(309,210)	-3.0%
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Montgomery Housing Initiative

Housing and Community Affairs	28,666,500	28,670,860	28,670,860	-	0.0%
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Water Quality Protection Fund

Environmental Protection	5,701,210	5,701,210	5,615,570	85,640	1.5%
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Restricted Donations

Restricted Donations	-	1,257,690	197,470	1,060,220	84.3%
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Special Funds Total	44,755,910	46,029,830	45,193,180	836,650	1.8%
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FY08 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest ** Budget (B)	Estimate (2ndQA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Enterprise Funds					
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	8,354,190	8,360,330	8,204,970	155,360	1.9%
<u>Bethesda Parking District</u>					
Parking District Services	12,094,150	12,100,350	12,100,350	-	0.0%
<u>Montgomery Hills Parking District</u>					
Parking District Services	119,840	119,840	119,840	-	0.0%
<u>Silver Spring Parking District</u>					
Parking District Services	10,830,090	10,836,270	10,836,270	-	0.0%
<u>Wheaton Parking District</u>					
Parking District Services	1,179,020	1,181,050	1,181,050	-	0.0%
<u>Permitting Services</u>					
Permitting Services	27,044,210	27,120,980	26,554,590	566,390	2.1%
<u>Solid Waste Collection</u>					
Solid Waste Services	6,480,730	6,485,210	6,469,120	16,090	0.2%
<u>Solid Waste Disposal</u>					
Solid Waste Services	92,497,490	92,529,080	91,979,090	549,990	0.6%
<u>Vacuum Leaf Collection</u>					
Solid Waste Services	4,791,220	4,791,220	5,026,360	(235,140)	-4.9%
<u>Liquor Control</u>					
Liquor Control	38,945,620	38,945,620	35,295,620	3,650,000	9.4%
Enterprise Funds Total	202,336,560	202,469,950	197,767,260	4,702,690	2.3%
NON-TAX SUPPORTED TOTAL	319,049,770	320,602,160	315,062,820	5,539,340	1.7%
TAX and NON-TAX SUPPORTED TOTAL	1,579,642,310	1,589,539,476	1,569,800,345	19,739,131	1.2%

Internal Service Funds

<u>Employee Health Benefit Self Insurance Fund</u>					
Human Resources	151,126,430	151,133,010	151,004,610	128,400	0.1%
<u>Motor Pool Internal Service Fund</u>					
Fleet Management Services	59,725,510	59,788,350	58,578,370	1,209,980	2.0%
<u>Printing and Mail Internal Service Fund</u>					
Public Works and Transportation	5,812,450	5,812,450	5,696,200	116,250	2.0%
<u>Self Insurance Internal Service Fund</u>					
Finance	42,103,980	42,124,970	42,114,040	10,930	0.0%
INTERNAL SERVICE FUNDS TOTAL	258,768,370	258,858,780	257,393,220	1,465,560	0.6%

FY08 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest * Budget (B)	Estimate (2ndQA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDAs: Tax Supported - General Fund					
MISC. COMMUNITY GRANTS	6,306,430	6,306,430	6,306,430	-	0.0%
NDA - COUNTY LEASES	15,315,780	15,315,780	14,965,780	350,000	2.3%
NDA ARTS COUNCIL OF MONTGOMERY	5,350,480	5,440,480	5,440,480	-	0.0%
NDA BOARDS, COMMITTEES AND COMMISSIONS	20,000	20,000	20,000	-	0.0%
NDA CHARTER REVIEW COMMISSION	1,500	1,500	1,500	-	0.0%
NDA CLOSING COST ASSISTANCE PROGRAM	160,500	160,500	160,500	-	0.0%
NDA COMPENSATION ADJUSTMENT	3,196,870	1,888,170	552,970	1,335,200	70.7%
NDA CONFERENCE AND VISITOR'S BUREAU	644,350	676,790	676,790	-	0.0%
NDA CONFERENCE CENTER	605,090	605,090	605,090	-	0.0%
NDA CONTRIBUTION TO MOTOR POOL	893,530	893,530	893,530	-	0.0%
NDA CONTRIB TO SELF INS FUND-RISK MGMT	8,836,850	8,836,850	8,836,850	-	0.0%
NDA COUNTY ASSOCIATIONS	64,460	64,460	63,960	500	0.8%
NDA DESKTOP COMPUTER MODERNIZATION	6,326,130	6,326,130	5,599,610	726,520	11.5%
NDA GRANTS TO MUNI IN LIEU SHARES TAXES	28,020	28,020	28,020	-	0.0%
NDA GROUP INSURANCE RETIREES	24,810,190	24,810,190	24,810,190	-	0.0%
NDA HISTORICAL ACTIVITIES	346,280	346,280	346,280	-	0.0%
NDA HOMEOWNERS' ASSOCIATION ROADS	370,850	370,850	370,850	-	0.0%
NDA HOUSING OPPORTUNITIES COMMISS.(HOC)	5,731,290	5,731,290	5,636,660	94,630	1.7%
NDA INDEPENDENT AUDIT	342,500	342,500	342,500	-	0.0%
NDA ITPCC	30,000	30,000	5,000	25,000	83.3%
NDA METRO WASH COUNCIL OF GOVTS	713,830	713,830	713,830	-	0.0%
NDA MUNICIPAL TAX DUPLICATION	7,488,240	7,488,240	7,488,240	-	0.0%
NDA OTHER POST EMPLOYMENT BENEFITS (OPEB)	12,067,320	12,067,320	12,067,320	-	0.0%
NDA POLICE PRISONER MEDICAL	10,000	10,000	10,000	-	0.0%
NDA PUBLIC TECHNOLOGIES, INC (PTI)	27,500	27,500	27,500	-	0.0%
NDA REBATE-TAKOMA PARK-POLICE PROTECTION	630,310	630,310	630,310	-	0.0%
NDA ROCKVILLE PARKING DISTRICT	377,500	377,500	377,500	-	0.0%
NDA SPECIAL RETIREMENT CONTRIBUTNS-	3,740	3,740	3,740	-	0.0%
NDA STATE POSITIONS SUPPLEMENT	119,330	119,330	123,600	(4,270)	-3.6%
NDA STATE RETIREMENT CONTRIBUTION	890,580	890,580	890,580	-	0.0%
NDA -TAKOMA PARK-LIBRARIES TRANSITION	119,160	119,160	119,160	-	0.0%
NDA WORKING FAMILIES INCOME SUPPLEMENT	11,679,400	11,679,400	11,679,400	-	0.0%
NDAs: Tax Supported - General Fund Total	113,508,010	112,321,750	109,794,170	2,527,580	2.3%
NDAs: Non-Tax Supported - Grant Fund					
NDA COMPENSATION ADJUSTMENT	368,220	169,390	-	169,390	100.0%
NDA FUTURE FEDERAL/STATE/OTHER GRANTS	10,000,000	(1,959,472)	-	(1,959,472)	100.0%
NDA HISTORICAL ACTIVITIES	25,000	25,000	25,000	-	0.0%
NDAs: Non-Tax Supported - Grant Fund Total	10,393,220	(1,765,082)	25,000	(1,790,082)	101.4%

**Quarterly Update on Revenue Collections
Montgomery County
FY 2008**

Reported through:
December 2007

Collection Update

- **First Half Year Results:**

- Total tax collections totaled \$1.383 billion and were 0.3% below the first half of FY07.
- Income tax collections through December stood at \$456.1 million and are on target with the revised estimates presented during SAG FY09 (in Fall 2007).
- The General Fund portion of property tax collections (including penalties and interest) was \$767.8 million – and 4.9 percent above the first half of FY07 and running slightly above the revised estimate primarily due to accelerated processing of payments.

- **Transfer and Recordation Taxes:**

- Collections from the transfer tax (excluding condominium conversion) during the first half of FY08 were \$44.7 million, or 17.7% below the same period last year and below the revised estimate.
- Collections from the recordation tax (excluding the CIP portion) were \$29.2 million, a decrease of 19.5% over last year and below the revised estimate presented during SAG FY09.

Collection Update

- **Transfer and Recordation Taxes (continued):**

- The decrease in the transfer and recordation taxes is due to continued decline in housing sales and a 19% drop in mortgage refinancing activity.
- The volume of transfers during the first half of FY08 was down 23.1% compared to last year, and the volume of recordation tax transactions was down 19.8% compared to the first half of fiscal year 2007.
- The only bright area is the non-residential sector with collections that are roughly unchanged from the same six month period in FY07.
- The combined amount of revenues from the transfer and recordation taxes (excluding CIP portion and condo conversions) was \$73.9 million compared to \$90.6 million for the first six months of last fiscal year (↓18.4%).

Collection Update

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$48.5 million during the first half of FY08, which are 0.6% above the same period in FY07 and, on balance, are on target with the revised estimates.
- Fuel/energy tax collections totaled \$29.3 million and are slightly below target with the revised estimate. The decline in collections is attributed to the unusually warm winter that the Washington area has experienced to date.
- Collections from the telephone tax are \$11.0 million and are slightly above the target estimate, entirely due to continued stronger than expected growth in wireless phones lines.
- Collections from the hotel/motel tax are running 2.7% above the same period last year, but below the revised estimate.
- Collections from the admissions tax to date are 3.9 percent above the first half of last year and in line with the target estimate.

Collection Update

- **Other Revenues:**

- Revenues from the County's pooled investment income were \$24.4 million during the first half of this fiscal year and were 7.6% above the same period last year. However, with the recent dramatic rate cuts by the Federal Reserve that have yet to be fully incorporated in the County's pooled investments, Finance expects the differential of 7.6% to dissipate completely.
- Highway user revenues received to date were \$12.1 million and 6.1% below the first half of FY07 and running below revised estimate for SAG FY09.

**MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2008**

	REPORTING PERIOD	FY08		FY07	VARIANCE FY08/FY07	PERCENT CHANGE	FY08 SAG FY09	FY08 BUDGET
<u>TAXES:</u>								
INCOME	December	\$456,133,572		\$480,309,799	(\$24,176,227)	-5.0%		1.7%
PROPERTY (General Fund)	December	767,769,028		732,173,959	35,595,069	4.9%		0.5%
TRANSFER (excl. condo conversion)	December	44,664,653		54,272,085	(9,607,433)	-17.7%		13.0%
RECORDATION (excl. School CIP)	December	29,227,502		36,311,079	(7,083,578)	-19.5%		-0.3%
FUEL/ENERGY	December	29,296,630		29,587,318	(290,689)	-1.0%		0.9%
HOTEL/MOTEL	December	7,383,936		7,193,301	190,635	2.7%		5.3%
TELEPHONE	December	11,011,786		10,674,384	337,401	3.2%		2.9%
ADMISSIONS	December	817,333		787,019	30,315	3.9%		3.4%
<u>MISCELLANEOUS:</u>								
INVESTMENT INCOME (Total Pooled)	December	24,392,588		22,676,180	1,716,408	7.6%		0.5%
HIGHWAY USER	December	12,112,400		12,905,299	(792,899)	-6.1%		1.7%
<u>TOTAL</u>		1,382,809,427		1,386,890,425	(4,080,998)	-0.3%		1.7%

42